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## FISCAL IMPACT REPORT

SPONSOR Lujan DATE TYPED 10/9/05 HB 19/aHTRC

SHORT TITLE 2005 Tax Rebates SB \_\_\_\_\_

ANALYST Francis

### APPROPRIATIONS

Estimated Appropriations		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$500)		Non-Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$101,260)		Non-Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB10, HB13

### SOURCES OF INFORMATION

LFC Files  
Taxation and Revenue Department (TRD)

Responses Received From  
Taxation and Revenue Department (TRD)

### SUMMARY

#### Summary of HTRC amendment

House Bill 19 was amended by the House Taxation and Revenue Committee to exempt the rebate amounts from state personal income tax. This would lower revenue by an estimated \$800 thousand.

Synopsis of Original Bill

House Bill 19 sets up a rebate on the personal income tax to be mailed out immediately to all taxpayers by the secretary of the Taxation and Revenue Department (TRD). The intent of the rebate is to mitigate the recent high costs of gasoline and the expected increases in the cost of heating this winter. The rebate decreases as income rises and increases as family size increases.

The rebate is paid to any resident who files an individual NM income tax return and is not a dependent of another individual, who was not an inmate of a public institution for more than six months during tax year 2004 and was a resident on the last day of 2004. Additionally, residents who do not receive rebates can claim it on their 2005 tax return provided they were not an inmate of a public institution for more than six months in 2005 and were residents as of the last day of tax year 2005.

**FISCAL IMPLICATIONS**

TRD estimates that the cost of the rebates is just over \$101 million in direct payments administered by the secretary of the Taxation and Revenue Department and \$500 thousand in appropriation for the administration of the payments. Though the bill does not state it explicitly the assumption is that the appropriation for the rebate is out of the general fund. This includes the revenue impact of the exempting the rebate from state income taxes which TRD estimates at \$1.4 million.

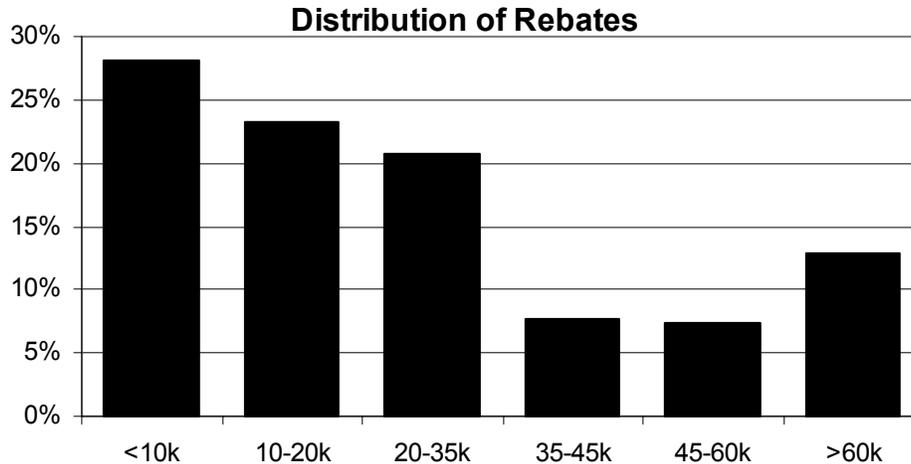
The rebate is designed to provide all taxpayers with some relief. It is weighted towards larger, low income families. The minimum rebate is \$55 while the maximum is \$280. The rebate is based on adjusted gross income and exemptions declared on the 2004 returns.

The rebate decreases as income goes up and increases as exemptions go up. For one exemption, like a single tax filer, the maximum is \$130 while the minimum is \$55 (see table).

Proposed Rebate Schedule

Adjusted Gross Income is:		And the total number of exemptions is:					
Over	But Not Over	1	2	3	4	5	6
0	10,000	\$130	\$170	\$205	\$235	\$260	\$280
10,000	20,000	115	150	180	205	225	240
20,000	35,000	100	130	155	175	190	200
35,000	45,000	85	110	130	145	155	160
45,000	60,000	70	95	115	130	140	145
60,000		55	75	90	100	105	110

Using TRD estimates, the bulk of the rebates, over 70%, will go to taxpayers who have less than \$35,000 in adjusted gross income (see chart).



Fiscal impacts were estimated using information from personal income tax returns. The following adjustments were made to reflect various provisions of the proposal:

- Non-resident taxpayers were excluded;
- Inmates of public institutions were excluded; and
- An estimate of the number of new taxpayers moving into the state during 2005 was added to the population of resident taxpayers from the previous year.

#### **ADMINISTRATIVE IMPLICATIONS**

To process the rebates, TRD has estimated that this will cost \$500 thousand to process and distribute the rebates to taxpayers. TRD expects they can complete the job and have all of the rebates mailed out by December 15<sup>th</sup>, 2005. While this estimate was provided for HB10, which has lower rebate amounts, the processing should not be affected by the amount of the rebate.

**NF/yr**